classes in Germany. Taxation has been indirect and on commodities which are paid for by the masses of the people. " The lesson to be drawn from these facts is not difficult to see. The rulers of Germany, in spite of their hopes of indemnity, must realise that financial stability is one of the elements of national strength. They have not added to their financial stability/' The reason for this failure the Chancellor considers to be largely psychological. It is, in the first place, because they do not care to add to discontent by increased taxation all over the country, but " it is still more due to this, that in Germany the classes which have any influence on or control of the Government are the wealthier classes, and the Government have been absolutely afraid to force taxation upon them/'

It is certainly very pleasant to be able to contemplate the financial blunders by which Germany is so greatly increasing the difficulties that it will have to face before the war is over. On the other hand, we have to recognise that the Chancellor, with that incorrigible optimism of his, has committed the common but serious error of overstating his case by leaving out factors which are in Germany's favour, as, for instance, that Germany's debt is to a larger extent than ours held at home. Since the war began we have raised over £1000 millions by borrowing abroad. Our public accounts

show that
"the item of ‘ Other Debt," which is generally
believed to refer to debt raised abroad, now amounts
*° £958 millions, while one of our loans in America,
which is separately stated in the account because